GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1181
ANSWERED ON:07.03.2008
TAXES AND EXCISE DUTY ON FUEL EFFICIENT CARS
Gandhi Smt. Maneka

Will the Minister of FINANCE be pleased to state:

(a) whether tax incentives are given/proposed to be given to car manufacturers in accordance with the fuel efficiency of their products ;

(b) if so, the details thereof; and

(c) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b): The general rate of excise duty on cars is 24% ad valorem. However, a concessional duty rate of 16% was extended to small cars (Motorcars of length less than 4000 mm and engine capacity upto 1200cc {petrol,LPG, CNG}/1500cc {diesel}) in Budget 2006 as it is the intention of the Government to make India a hub for the manufacture of small and fuel efficient cars.Government's decision was based on a study got conducted by the 'Energy & Resources Institute' which concluded that cars with smaller engines are more fuel efficient. In this year's Budget (2008-09), excise duty rate of 16% has been further reduced to 12%.

(c): Does not arise.